



United States
Department of
Agriculture

Farmers
Home
Administration

Washington
D.C.
20250

FmHA AN No. 1221 (1941)

June 20, 1985

SUBJECT: Payment of Crop Insurance Premiums

TO: All State Directors, District Directors,
and County Supervisors, FmHA

PURPOSE:

The purpose of this Administrative Notice (AN) is to clarify when crop insurance will be required in connection with insured operating type loans and when proceeds from the sale of normal income security may be released for the payment of crop insurance premiums. It is the intent of this AN to include Multiple Peril Crop Insurance, Private Hail Insurance, and Federal Crop Insurance.

IMPLEMENTATION RESPONSIBILITIES

FmHA Instruction 1941-B, Section 1941.88 outlines insurance requirements in connection with operating loans. Borrowers should be encouraged to carry insurance on chattel property, including growing crops which serve as security for a loan. All risk crop insurance is not a loan requirement. However, loan approval officials should encourage borrowers to obtain and maintain crop insurance, if available, when it appears advantageous to the borrower.

FmHA Instruction 1945-D, Section 1945.169(o) requires the borrower to obtain crop insurance, if available, when loan funds will be used for crop production expenses or if FmHA is not the primary lender for crop production expenses, but has or will have a security interest in the crops.

Insurance coverage on crops should be thoroughly discussed with all operating type borrowers during the loan making process, and encouraged to insure when practical.

EXPIRATION DATE: June 30, 1986

FILING INSTRUCTIONS: Preceding
FmHA Instruction 1941-A



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At the time of purchase, insurance agents routinely advance credit for premiums for many farmers until the crop is harvested. In certain cases, cash discounts are available for prepayment of premiums. In these cases, funds for payment of insurance premiums may be included in the current years operating loan in accordance with FmHA Instruction 1941.16(b). The borrower and County Supervisor should analyze both methods of payment, selecting the method which is most advantageous to the borrower and FmHA.

Situations may arise where the County Supervisor is not aware of a borrower's obligation for payment of crop insurance premiums during the loan making process. When the County Supervisor becomes aware of a borrower's obligation for crop insurance in connection with a current year's operating loan, the County Supervisor will take the following actions:

1. The cash-flow statement or current year Farm and Home Plan will be revised, if necessary, to show payment of crop insurance premiums from normal income security, provided this does not adversely affect repayment of the current year's operating loan.
2. Form FCI-20, "Assignment of Indemnity", or other acceptable assignment form, will be executed to show FmHA as the loss payee.
3. The borrower will be informed that in the future the type, amount, and benefits of coverage must be discussed with the County Supervisor during the loan making process. At that time, the County Supervisor will execute Form FCI-20, or other acceptable assignment form to assign loss payments to FmHA. When possible, FmHA should be listed as the loss payee on the policy before loan closing.
4. Borrowers who are excessively insured above their needs will be counseled on reducing coverage as necessary. Loan funds or crop proceeds will not be used/released to pay premiums in excess of those considered to provide adequate insurance coverage.

Funds may be released from normal income security for the payment of crop insurance premiums in accordance with FmHA Instruction 1962-A, 1962.17(b).


DWIGHT O. CALHOUN
Acting Associate Administrator